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SCOPE AND CONTENT OF A COURSE IN MARKETING¹

Marketing, as I should define the term briefly, is a study of the principles that govern the policies of business management in the distribution of commodities from producers to consumers. This includes the activities of retail and wholesale merchants, manufacturers' sales organizations, the various agencies engaged in the distribution of raw materials, and all other means of facilitating and promoting the sale of merchandise.

Take a shoe manufacturer, for example, who has just organized a new business. The first marketing problem for him is the determination of the agencies through which his product is to be sold. He has a choice between selling entirely to wholesalers, entirely to retailers, or to both. He has a choice, furthermore, between the various types of retailers—unit stores, department stores, chain stores, and mail-order houses. He probably will find it inadvisable to plan to sell to all these indiscriminately. Some degree of selection will be essential. There is also the possibility that he may elect to operate a chain of manufacturers' retail branches.

Following this selection of agencies, and interwoven with that problem, questions relating to the manufacturer's sales organization arise. How large a sales force shall he maintain? What plan for management of the sales force is to be developed? Is a stock department to be operated? Then come the problems of brands. Is this manufacturer to sell his product unbranded, entirely under his own brand, or under wholesalers' and retailers' private brands? What is to be his advertising policy? How are his shoes to be priced? These are roughly the marketing problems that the shoe manufacturer must consider.

Take another case. I recently had an inquiry from a young man who is just about to engage in a new business venture. He

¹ A paper read before the meeting of the Association of Collegiate Schools of Business at Chicago, May, 1920.

had had experience in wood-working and was opening up a plant for the manufacture of garden trellises and similar articles. His capital resources were limited, and he expected to sell his entire product within a radius of a few hundred miles of the point at which his plant was located. He proposed to sell his product by direct solicitation from house to house. He estimated that this would require from ten to fifteen solicitors, and he expected to pay them 20 per cent commission on their sales. The success of this business venture depended mainly upon the results of this sales plan. An analysis was made which indicated that each solicitor must sell from six to eight articles every day, in good weather or bad. The market obviously would be restricted to families who owned their own houses and who were sufficiently well to do to afford this expenditure. The number of such families per thousand population would be small.

It could be anticipated, furthermore, that the percentage of sales to the number of calls made would be low. For these and other reasons the plan as at first drawn up appeared to need modification. Tests were made which bore out the conclusion reached by the analysis of the problem. It was necessary, therefore, for this manufacturer to change substantially his sales plans in order to secure the necessary volume of business at an expense that was not prohibitive.

These are typical marketing problems which are of everyday occurrence.

The plan of a course in marketing and the methods of instruction must obviously be adjusted to the conditions under which the course is given—the preliminary training of the students, their stage of development, and the relation of the marketing course to other courses in the curriculum. I do not presume to lay down rules of procedure that are universally applicable. It is my purpose rather to indicate how we have met our problems in teaching this subject in the Harvard Graduate School of Business Administration, leaving it to other speakers not only to give us the benefit of their criticism but also to suggest how the plans should be modified to meet the conditions in other schools where the circumstances are different.

GENERAL PLAN OF COURSE

As at present arranged, the courses in the field of marketing in the Harvard Business School include the introductory marketing course, sales management, advertising, retail-store management, and purchasing. Our students are also taking courses in accounting and ordinarily factory management, commercial law, business statistics, and in their second year business policy, as well as other professional business courses. Sales management, advertising, retail-store management, and purchasing are advanced, specialized courses built upon the foundation laid in the introductory marketing course. These specialized courses I shall not attempt to discuss on this occasion. In this paper I shall take up the work of the introductory course in marketing, which in our case covers an entire year with three meetings a week.

The method of instruction employed in this course is the problem or case method; that is, we seek to develop the principles inductively by a discussion of concrete problems each of which illustrates a specific point or points. In my opinion this is by far the most satisfactory method of instruction. It trains the students in analysis and thus helps to prepare them most effectively for grappling with the problems with which later they will have to deal. It stimulates independent thinking. The method of approach outlined in Shaw's *Approach to Business Problems* affords useful suggestions in developing this method of instruction.

So much for general conditions and for the method of instruction that we are using. I will turn now to the substance of the elementary course in marketing. This course has two major divisions: the first is marketing methods and the second is sales policies.

The methods of marketing merchandise fall into two main groups: (1) methods used in marketing goods for retail distribution, and (2) methods used in marketing goods for wholesale consumption. The marketing processes are essentially different for these two groups of products. For some goods that are to be sold at retail a process of assembling the products of numerous manufacturers or producers is necessary, as in the case of foods sold by wholesale grocers. For others, as in the agricultural

implement trade, the products of one manufacturer can be distributed to the retailers frequently without any intermediary process of assembling. The predominant characteristic of the trade in goods sold through retail stores, however, is the distribution of merchandise so that it can be parceled out in small units, retailed to individual consumers who purchase for personal use or gratification.

Take a manufacturer of cotton cloth, for example. In the United States alone, to say nothing of foreign countries, there are over 100,000,000 possible consumers of his product. Each consumer ordinarily will purchase only a few yards of cloth at one time. The problem of this manufacturer is to find means of securing a distribution of his product whereby as many of these customers as possible may effectively be given an opportunity to buy these goods in the form and quantity that they desire.

The goods that are sold for wholesale consumption include raw materials; semi-manufactured products, such as crude iron and steel and leather; equipment; and machinery supplies. The raw materials must be assembled in large lots and usually it is essential that they be carefully graded. These materials are used in large quantities by individual purchasers. The semi-manufactured materials similarly are sold in large lots according to well-defined specifications or grades. Equipment also is generally a bulk sale, although in some instances this shades down to small individual purchases.

The market for goods sold for wholesale consumption ordinarily is clearly defined and of narrow scope in comparison with the market for goods sold at retail. The purchase of goods for wholesale consumption, furthermore, is determined not by the personal needs or personal desires for gratification of the purchaser but according to purely business considerations of quality, utility, and price. These considerations are governed by the product into which the materials are to enter or by the production requirements of the plant in which the materials or machines are to be used.

Take the market for raw cotton, for instance. There are only from one to two thousand manufacturers in the United States who purchase raw cotton. The number of purchasers of any

specific grade of raw cotton is even less. This market, therefore, is one that is clearly defined. It is a market, furthermore, in which the individual sales are large. The problems of this market are quite different from the problems of a cotton manufacturer seeking to sell his product to 100,000,000 individual consumers.

Let us consider now the subdivisions of the methods of marketing each of these groups of products. The methods of marketing goods for retail distribution are divided into three sections: (1) conditions determining demand; (2) retail trade; (3) wholesale trade.

CONDITIONS AFFECTING DEMAND

Some of the questions for consideration with regard to conditions affecting demand are the following: Who will use the product? What are the consumers' buying motives and habits? In what form do they prefer to buy the product?

The potential market for a manufacturer of workmen's overalls is definitely limited to men who are engaged in occupations where the use of overalls is necessary. The first task of such a manufacturer is to determine those occupations and the geographical location of the market. His problem is simple compared with the problems of numerous other manufacturers. While there are some products of almost universal demand, such as certain articles of food, nevertheless, in most instances an investigation will show that the purchasers of any product come mainly from particular classes of consumers. It is important that an analysis should be made, to ascertain the definite classes of consumers to be aimed at, as the first step in determining the marketing methods.

Some of the considerations to be taken into account in this analysis are whether the product is for individual or family use, the age and sex of the users, rural or urban demand, the occupations of the users, racial influences, living conditions such as home ownership, the influence of climatic conditions, provincialisms in demand, such as the demand for left-hand plows in some districts or the "yokel" trade in clothing, and the influence of custom. A manufacturer of a breakfast food, for example, would find difficulty in selling his product on the continent of Europe, because

of the long-established custom which restricts the continental European breakfast to rolls and coffee.

Buying motives and habits are equally worthy of consideration in the elementary analysis of the market. Groceries, for instance, are products that ordinarily are purchased where it is most convenient for the housewife to place her daily order. Articles of women's wearing apparel, on the other hand, are usually bought by the shopping process. In purchasing a coat or a gown, the housewife wishes to compare style, quality, and price in several shops before making her purchase.

The selection of marketing methods, furthermore, will depend upon whether the buying motive is to secure economy in labor or economy in price, to secure durability or satisfy a desire for a novelty, whether the purchase is made as a necessity or as a luxury.

Is the article one for which there will be a repeat demand from users? A breakfast-food manufacturer, for example, can count upon repeat demand for his product, provided it is satisfactory to consumers. The manufacturer of a vacuum cleaner, on the other hand, can expect repeat orders from consumers only at infrequent intervals. His task is rather continually to dig up new purchasers. The manufacturer of a safety razor cannot expect a substantial repeat demand for the razor itself, but he can count upon a repeat demand for the blades used in the razor. Obviously, the type of sales organization to be developed must be shaped in part according to whether or not a repeat demand is anticipated.

These illustrate a few of the buying habits and motives that must be taken into account; applied to specific cases they form the basis for interesting and valuable classroom discussions.

Influences are at work constantly to change buying habits. The increased use of automobiles by farmers, for example, is lengthening the farmers' radius of interest and tending to make the farm demand for numerous personal and household articles more akin to city demand than it has been in the past. The spread of educational facilities and the introduction of better means of transportation and communication are constantly affecting buy-

ing habits. Public opinion, finally, may influence buying habits. This public opinion may be expressed in organized form through a housewives' league, through the label leagues of trade unions, through such organizations as the consumers' league or it may manifest itself in unorganized form through the development of a sentiment in favor of or against a certain product.

Shall the goods be sold in packages or in bulk? The answer to this question in the final analysis depends upon the preference of the consumers. Attacks upon the package system are of frequent occurrence. Nevertheless, the quantity of goods sold in packages is constantly increasing, not through coercion by manufacturers, but because many consumers prefer to buy the merchandise in that form. General rules cannot be laid down as to whether goods should be sold in packages or in bulk. The problem is one for careful analysis, in each individual case, for determining the marketing methods that are to be used.

The nature of the product and the buying motives and habits of consumers are among the chief influences determining the selection of the type of retail store through which the product is to be distributed.

RETAIL TRADE

A large majority of the retail stores in the United States are what I prefer to call unit stores. Sometimes they are called "independent" stores or "regular" stores. A unit store is a store without an elaborate departmental organization that is owned and managed as an independent unit for the sale of goods through personal salesmanship. Unit stores are used most extensively for the distribution of merchandise such as groceries, hardware, agricultural implements, shoes, men's clothing and furnishings, jewelry, cigars and tobacco, and drugs.

Unit stores furnish the most numerous outlets for many kinds of merchandise. They provide the only means whereby large numbers of consumers can be reached regularly. They are adaptable to the service requirements of their patrons. Frequently the proprietor of a unit store has built up a strong personal clientèle. The market for merchandise distributed through unit stores is not dominated by a few large powerful buyers.

A manufacturer who elects to distribute his product through unit stores, however, encounters difficulty in inducing a large number of individual retailers to handle his product effectively. While there are many notable exceptions, nevertheless a substantial number of unit stores are not operated efficiently. The selection of this type of store as the marketing agency, therefore, presents a series of difficult, complex problems.

For some commodities a manufacturer finds it advantageous to select unit stores to act as exclusive agents. This policy is exemplified by several large clothing manufacturers. Other clothing manufacturers, whose product is probably of equal merit, follow the opposite policy of not building up a system of exclusive agencies. This is one of the large problems of sales policy, because there are substantial reasons for and against this system.

Another type of store that is generally operated on the unit principle is the company store. This has come into especial prominence during the last few years of rising prices. The American Woolen Company, for example, has recently established a store at its plants in Lawrence, Massachusetts, for the sale of merchandise to its employees. Similar stores have been organized by several other large employers of labor. To the manufacturer or wholesaler seeking distribution for his product, the company store presents a problem because of the doubt as to its permanency and the friction that it causes with many of the unit stores with which it competes.

The retail-wholesale store is another institution that complicates the sales problem for many a manufacturer. Such a store is one that carries on a retail business and also operates a wholesale department. A store of this type ordinarily demands wholesalers' discounts. It is, therefore, in a position to buy goods for its retail department at manufacturers' wholesale prices. It often-times becomes a troublesome competitor of the unit stores, to which the manufacturer cannot afford to sell at wholesale and which are forced to buy from wholesalers at prices higher than the wholesale-retail store purchases its merchandise.

The metropolitan specialty store, especially for articles such as women's wearing apparel, has become an important factor in

the sale of some kinds of merchandise. This type of store has operating expenses quite similar to those of the other types of stores with which it competes. Its main advantages appear to be those that accrue from specialization.

A department store, according to the customary usage of the term, is a retail store organized on a departmental system in which one of the large departments is dry goods. Wherein does the department store have its chief advantages? Its size frequently gives it a buying advantage. Oftentimes it is able to obtain wholesale prices or high discounts because of the large quantities that it purchases. Its size, however, does not give it any advantage apparently in operating expenses. From such scanty information as is now available it appears that the ratio of operating expenses to sales is as high in department stores as in unit stores. Frequently the expenses are higher in department stores in proportion to sales. Some of the failures of department stores during the last ten years have been due, I believe, to a mistaken theory that a large volume of business necessarily meant economy in operation.

The chief advantage of a department store, it seems to me, is the facilities that it offers for shopping. A department store is essentially a shopping institution. It is a strong factor in the trade in women's wearing apparel, for instance; but as a rule the department store has not been able to make a success of a grocery department. It cannot operate a grocery department ordinarily as cheaply as a unit store is operated. The buying habits of the consumers, furthermore, lead them to patronize unit stores for the bulk of their purchases of groceries.

The determination of the buying motives and habits of consumers to whom a given article is to be sold, therefore, plays an important part in the decision of a manufacturer as to whether he will seek to have his product sold through unit stores or through department stores. It is one of the tasks of the teacher of marketing to train students to analyze these problems so that the type of retail store to be used can be determined intelligently.

A chain-store system is a group of scattered stores with single ownership and centralized management. Ordinarily a central

warehouse is operated from which merchandise is distributed to the retail branches. The chain-store system has the advantages of large-scale buying and wide dispersal of the individual retail branches. It has facilitated the development of standardization of equipment and of methods of operation and management. Chain stores have been most successful in marketing those products that ordinarily are sold through unit stores. Chain stores are located at points where it is most convenient for their patrons to visit them.

While the chain store undoubtedly has definite advantages such as have been mentioned, it also is at a disadvantage in some respects in competition with unit stores. The chain-store system is less flexible. It cannot readily adjust its services, such as delivery and credit, to meet the needs of the individual patrons. Moreover, the advantages that the chain-store system gains through centralized buying and standardization of management methods are offset, in part at least, by the necessity of operating a central warehouse and especially by the difficulty in securing managers who will take a keen personal interest in the conduct of these stores. Expenses must also be incurred for policing the branches: a system of frequent, close inspection is necessary in a chain-store system.

Inasmuch as many of the chain-store systems have cut prices, they are looked at askance by numerous manufacturers who believe that their main reliance must be placed upon unit stores. The friction between chain stores and unit stores has been a matter of grave concern to many a manufacturer during the last ten or fifteen years.

Occasionally a manufacturer decides that a system of manufacturer's retail branches is the logical outlet for at least a part of his merchandise. The establishment of retail branches by a manufacturer is not ordinarily, however, for the purpose of economy in expense of operation. It seems to have been the general experience of manufacturers who have established retail branches that they are not able to operate their stores more economically than the average unit store or department store is operated. Such branches generally have been established for other reasons. One

of these reasons is to insure a steady, sure outlet for at least a portion of the manufacturer's product. There are also several instances in which manufacturers have established a small number of retail branches for educational and promotional work. The L. E. Waterman Company, for example, has a store in New York to provide service to the purchasers of its pens and also to serve as a laboratory in which to study retail problems. The Dennison Manufacturing Company has four retail branches that are used as agencies for promoting the sale of its products but not in competition with the independent retail stores that carry this merchandise. Whenever a manufacturer decides to open up a retail store, he finds immediately that his action is capitalized by his competitors, who seek to develop a spirit of antagonism among retailers on the ground that the manufacturer is entering into direct competition with his own customers.

A mail-order house ordinarily is a business that sells at retail from catalogues and not over the counter. The orders are received by mail at a central warehouse whence the goods are shipped to consumers. The chief field for the development of mail-order sales has been in the rural districts and small towns. The catalogue of a mail-order house gives an opportunity for shopping somewhat akin to the visit to a department store. The large mail-order houses, to be sure, have utilized their buying power and their established clientèle to sell many products outside the range of shopping goods. Whether a mail-order house is able to operate at substantially lower expense than unit stores is a question that has not yet been definitely settled. At all events, concentration of buying power and the tendency to cut prices frequently have caused manufacturers to hesitate to seek distribution of their products through mail-order houses.

Co-operative stores have not been sufficiently successful in the United States, up to the present time, to present a substantial marketing problem. A co-operative store, properly speaking, is one that is owned and managed by consumers. The typical co-operative store is organized on the Rochdale plan, whereby each member of the society purchases one or more shares of stock at a small amount per share. The number of shares that one

member may hold usually is limited, and ordinarily each member has one vote irrespective of the number of shares of stock that he holds. Dividends are commonly paid upon the stock at the ordinary local rate of interest and the remainder of the earnings, aside from such as may be set aside for reserves or surplus, are distributed to the members annually in proportion to their purchases. This system has had a tremendous development in European countries, but in the United States the number of co-operative stores is small and many of those in existence have led a precarious life. During the last eighteen months, the co-operative movement has received a new impetus in this country through the influence of labor-union men; this may prove to be a new marketing factor of large significance.

Retail public markets present problems of quite a different character from those encountered in other types of retail stores. Municipal markets in which booths are leased to dealers, to be sure, are not far different from other classes of retail stores. Public markets in which producers sell to consumers, however, bring in a new set of problems.

Widespread efforts have been put forth, especially during recent years, in numerous localities to stimulate the development of public markets of this type. Their success depends upon the buying habits of the consumers and their readiness to go to those markets. Their success also depends upon the readiness of the farmers to spend the time necessary to haul their produce to market and to carry on its sale. Frequently farmers find that this takes too much of their time at a period when their crops need attention. In the larger cities, moreover, the supply of produce from nearby sources is so inadequate for the total needs of the community that large quantities must be shipped in from more or less distant points. Under such circumstances a well-organized group of merchants is essential to carry on the produce business. It may be to the advantage, therefore, not only of the farmers but of the community at large under some conditions to have the bulk of the local produce sold through established trade channels rather than through farmers' public markets.

Wagon retailers include those merchants who do not operate a retail store, except perhaps as an incidental adjunct to their

business, but who retail merchandise from wagons that deliver the merchandise at the homes of the consumers. The milk trade is one of the notable examples of business that is carried on by wagon retailers. Suggestions, such as have been made from time to time, that a co-operative system should be used for milk delivery, run afoul of this fact, that the only place of business for the ordinary milk dealer is his delivery wagon. If he gives up his independent delivery system, he practically gives up the independence of his business.

The ice business is another trade carried on by wagon retailers. In this trade the heavy loss through shrinkage tends to discourage duplication of routes and therefore to result in the development of local monopolies in the ice trade. As in the case of the milk dealer, the ice merchant must ordinarily maintain a delivery system if he is to carry on an independent business. Both milk and ice are commodities of such general use that these trades present unusual marketing problems of broad public policy. Many of these problems have not yet been solved satisfactorily.

The final class of retail merchants includes what I have termed bulk retailers. Examples of this class are coal merchants and lumber retailers. In these trades a merchant must necessarily carry a large stock requiring a heavy investment of capital. The trade is seasonal and sales are usually made in bulk lots on specification. The individual consumer seldom visits the place of business of the retailer.

Each of these types of retail merchants presents special problems in store management and also special problems from the standpoint of the manufacturer or producer who undertakes to determine the logical channels for the distribution of his product. The selection of the retail channels to be used, moreover, influences the producer's decision as to the method of wholesale distribution to be utilized.

WHOLESALE TRADE

Wholesale merchants are business men who buy and sell merchandise on their own account for distribution to retailers in lots smaller than those in which the wholesaler buys. The wholesale merchant is a large factor in the distribution of many

products to unit stores. Although there are some manufacturers who sell their merchandise direct to retail grocers, for example, nevertheless they constitute but a small minority. Such manufacturers, furthermore, find it necessary practically to duplicate the organization and to assume the functions of the wholesale grocer, usually incurring at least as much expense as the wholesale grocer incurs in operating his business.

The function of the wholesaler ordinarily is to assemble the products of numerous manufacturers and to parcel these out in such lots as are required by unit stores. The wholesale merchant also performs the function of making collections and bears the credit risk. This is not a small item in many wholesale businesses. The large wholesale merchant oftentimes goes farther than this. He assumes the responsibility of specifying what product is to be made and he may also take the responsibility of having the product put out under his own brand or trade-mark, thus entering into competition with the brands of goods carrying manufacturers' trade-marks.

We hear a great deal of loose talk about the "elimination of the jobber." This is not, however, a question that can be discussed on the basis of generalizations. Each particular case needs to be considered by itself on its own merits. Take a shoe manufacturer near Boston, for example. He is selling his entire output of women's shoes to sixty shoe wholesalers. One salesman, with the occasional assistance of one member of the firm, is able to sell the entire output of the factory. The customers are all of sound financial standing. The manufacturer, therefore, incurs slight credit risk. His shipments are made in large lots. Consequently he can operate with a minimum shipping force and a minimum office force. He also receives valuable guidance from his customers in the selection of styles. In this case, the manufacturer believes that it is to his advantage to dispose of his product to wholesalers. He finds that in this way he can compete effectively with other shoe manufacturers who have followed a policy of selling their shoes directly to retailers.

One of the largest manufacturers of hosiery in the United States has followed a policy of concentrating his efforts upon the

problems of production. He sells his entire output to wholesalers. Many fruit and vegetable canners, whose business is highly seasonal, could not afford to operate if it were not for the outlet and the financial assistance furnished them by the wholesale grocers.

The specialty wholesaler represents a differentiation from the ordinary wholesale merchants, such as are referred to above. In New York, for example, there are a number of wholesalers who handle only hosiery and knit goods. The tea and coffee wholesaler is another specialty merchant. These specialty wholesalers generally cover a wide territory in the sale of their products and develop a demand through especial care in the selection and quality of the merchandise that they handle.

There are a few catalogue wholesalers in the United States. One of the most notable examples of these is Butler Brothers of Chicago. The catalogue wholesaler does not employ a force of traveling salesmen but sells on mail orders.

Merchants' co-operative wholesale associations, or buying exchanges as they are sometimes called, have been developing more rapidly during the last ten years than prior to that time. The oldest of them have been in existence for twenty-five years or more. These co-operative buying associations have had their greatest development in those trades in which the wholesale merchant is also a large factor. They are direct competitors of the wholesale merchant, but in the grocery trade at least the co-operative buying associations deal chiefly in staple merchandise.

The most successful type of co-operative buying association is organized on plans similar to the Rochdale system of consumers' co-operative societies whereby each merchant who is a member has one vote and where the amount of stock that one merchant can hold is limited. These co-operative buying associations do not employ traveling salesmen. They sell only for cash or on very short credit, and usually the customers pay for the delivery of the goods that they order. There are frequent instances of associations organized on other principles, and sometimes it is stated that some of them have been promoted by parties who were interested in securing the commission on the sale of the stock rather than in the continued successful operation of the business.

As in other co-operative enterprises the success of the co-operative buying association depends upon the willingness of the members of the association to work together harmoniously and to employ sufficiently expert managers. The most successful co-operative buying associations are made up of retail merchants who are in a sufficiently strong financial position to enable them to pay cash for their purchases.

The fruit-and-produce trade presents a series of particularly complex marketing problems. These problems, nevertheless, are of wide public interest and constitute some of the most important topics covered in a course on marketing. They are concerned primarily with the large urban markets. The inhabitants of the large cities and the industrial districts of the United States are supplied with fresh fruits and vegetables from a wide area. The local supplies, in most instances, are not adequate to provide during the entire year for the needs of the people living in these districts. With the improvement in means of refrigeration and transportation, furthermore, producers in distant parts of the country have found that they can cater advantageously to these markets, even to the extent of engaging in specialized agricultural production. The marketing machinery for handling this large volume of trade is still by no means perfect. The trade is one of especial difficulties because of the fact that a constant, regular flow of merchandise is essential and also because of the perishable nature of the merchandise, which involves danger of loss through spoilage or through glutted markets.

The commission merchant is one of the chief agencies for the handling of fruit and produce in large cities. Ordinarily the commission merchant receives shipments on consignments from farmers or from country dealers. These shipments are sold at the prices that are current when the shipments arrive. After deducting his commission fee and any incidental expense that he may have incurred, the commission merchant remits the balance to the shipper. This system enables the shipper to ship his merchandise whenever it is ready without awaiting specific orders from the commission merchant. It also enables the shipper to obtain the benefit of the prices that are current at the time that

the shipments arrive at the market. Dissatisfaction sometimes occurs when the shipper does not receive as high a price as he anticipated. This may be due to poor grading, to poor handling in transit, or to an unexpected slump in the market. The commission merchant not infrequently is held responsible by the shipper for the failure to obtain better prices.

Many commission merchants, furthermore, buy and sell on their own account, thus acting as jobbers. This combination of a commission merchant and a jobbing business, while it has some advantages occasionally even to the shipper, has not ordinarily worked out well in any industry in the long run. The conflicts of interest tend to create distrust and dissatisfaction.

In the large urban markets there are several other agencies through which produce may be sold. There are car-lot receivers who buy outright on their own account. Some of these receivers, and also some of the other types of middlemen, send out buyers to purchase produce or to contract for it in the growing districts.

The broker, who handles a portion of the trade in produce, sells for a brokerage fee shipments consigned to him. Ordinarily the broker, however, sells only upon confirmation of the price by the shipper. The broker as a rule deals only in car lots.

The jobber in the fruit-and-produce trade buys from car-lot receivers, brokers, or commission merchants, and sells to retailers. He performs the regular wholesale merchant's functions.

The trade in citrus fruits and occasionally in other products in several large cities is carried on through auctions. These auctions are ordinarily held daily, and sales are made directly at the freight terminal to jobbers and large retailers. The auction system can be used advantageously only where there are large shipments of carefully graded produce.

The most serious problem in the trade in fruit and perishable produce in our large cities is the lack of adequate terminal facilities for handling the trade expeditiously and economically. In New York, Chicago, and Boston the wholesale fruit-and-produce markets are practically in the same condition that they were twenty to thirty years ago. The volume of the trade has greatly increased;

yet these markets are not well situated with reference to shipping terminals. The result is expensive teaming through congested streets; this frequently causes serious deterioration in the produce. While these existing markets may generally be well situated for the jobbing trade, nevertheless they are not satisfactorily equipped for handling car-lot shipments. The provision of adequate railroad terminal facilities especially equipped for this trade is one of the most urgent marketing problems that we face.

A notable development in the field of marketing during recent years has been the growth of the California Fruit Growers' Exchange, probably the most successful example of a co-operative association of producers. The success of this organization has undoubtedly been due in part to special circumstances, such as the specialized, capitalistic nature of the industry, an all-the-year-round production, and previous experience in co-operative efforts for other purposes. Not least, among other reasons, is the distance from the market, which has placed a premium upon the effective control of shipments, with diversion in transit in order to have the fruit delivered at the markets paying the best prices and to avoid gluts.

There are also numerous other examples of successful co-operative marketing associations of producers which deserve careful consideration in a marketing course. While co-operative methods are far from being a cure-all for the ills that exist in the marketing of farm produce, nevertheless they are achieving enough success to warrant a thoroughgoing study of the problems of their organization and management from the business standpoint.

The final section on wholesale trade in our marketing course deals with manufacturers' wholesale branches.

There are numerous instances of manufacturers who have established wholesale branches for the distribution of their products directly to retailers. They have thus assumed completely the functions and the expenses of the wholesale merchant. In few cases does it appear that there has been a substantial saving in expense by the adoption of this policy. The objects have generally been to facilitate more aggressive selling or to meet some special conditions in the industry.

Frequently a manufacturer feels that his product does not receive enough individual attention from the wholesalers and their salesmen. He believes that by coming directly in contact with retailers, he will be able to push his goods more effectively against the products of his competitors. He values the good will of the retail merchants and believes that he can secure it more certainly by dealing with them directly. In other instances, the manufacturer establishes a system of wholesale branches in order to maintain a more steady production load for his factory. With a system of wholesale branches the seasonal fluctuations in the volume of sales may be lessened.

Among the industries in which the operation of manufacturers' wholesale branches is conspicuous is the meat-packing industry. Each of the large meat packers has a system of branch houses from which the products are distributed directly to retailers. Without entering into the many controversial questions regarding the activities of the packers, I wish merely to point out that the system of branch houses and refrigerator cars enables a packing company to secure a nicer adjustment in the distribution of its products than could be obtained by any other method that has yet been devised. The meat packers, like the dealers in fresh fruit and produce, are selling a highly perishable product. Speed in marketing is essential; only two weeks' time elapses from the purchase of the steer in the stockyards to the sale of the fresh meat in the retail store. The inhabitants of the urban districts, furthermore, require a continuous supply of fresh meat. The failure of this supply would cause hardship and suffering. An excessive supply, on the other hand, would result in waste and spoilage. A continuous flow of fresh meat in such quantities as are demanded from day to day by the various markets must therefore be provided. The organizations of the large packing companies appear to furnish a well-adjusted machine for carrying on this trade with a minimum of economic waste. This is one example of the special circumstances which in some trades have resulted in the establishment of manufacturers' wholesale branches.

The discussion of problems that arise in connection with methods of marketing goods for retail distribution thus touch upon

a wide field of business. They not only serve to acquaint the student with the facts that must be taken into account in analyzing such problems but also afford a broad survey of conditions in numerous industries and trades.

METHODS OF MARKETING GOODS FOR WHOLESALE CONSUMPTION

The plan that is followed in analyzing the problems of marketing materials, equipment, and supplies for wholesale consumption is essentially similar to that used for the preceding topics. We take up first the marketing of raw materials, including problems of direct sale, such as coal, iron ore, and sugar beets; the problems of raw-material merchants, as in the cotton and wool trades; organized speculation, as in the grain and cotton trades; the problems of financing the trade in raw materials such as in the cattle trade; and the use of auctions for products such as leaf tobacco and furs.

The methods of marketing semi-manufactured and manufactured materials, such as pig iron, steel, copper, and leather, include direct sale, selling agents, and merchants. The marketing machinery necessary for handling these trades is much less elaborate than in most other industries, because the merchandise usually is produced in large quantities of specified grade which are in turn sold in large lots by specification to other manufacturers. In each trade the number of producers is small and the number of purchasers is also small. With few exceptions the process of assembling is not necessary, and for much of the trade shipments can be made directly from the plant of the producer to the plant of the consumer without any intervening warehousing. The merchant's function is required only for a small portion of the business which is carried on under special circumstances.

The marketing of equipment is quite similar to the marketing of manufactured materials for wholesale consumption in that the number of producers is small and the number of purchasers also small. Nevertheless, there is one group of problems in connection with the marketing of equipment that is peculiar to this field. These problems, I believe, have a social significance that has not yet been fully recognized. With the growth of large manufacturing industries, there has developed a supple-

mentary set of industries manufacturing plant equipment. Thus, there is a group of manufacturers of textile machinery, the manufacturers of shoe machinery, a group of manufacturers of printing machinery, and so on.

The production of these highly intricate machines necessitates an expensive plant and organization for the machinery manufacturer. His field of sale is restricted. Once a new factory is equipped with his product, he cannot expect to sell any substantial quantity of machinery to that same plant again for a long period of time, except for occasional repairs and perhaps for plant extension. He cannot count upon repeat sales in his market such as the steel manufacturer has in selling his product. In times of business depression, moreover, the machinery manufacturer is likely to find his market prostrate.

How are equipment manufacturers to meet this problem? These special circumstances probably constitute one of the chief reasons for the success of the leasing system of the United Shoe Machinery Company, whereby the machinery manufacturer is in a position to replace machines at his own option and to encourage new customers to build factories. In the textile field, in times of depression before the war, the machinery manufacturers sometimes adopted a policy of taking stock in new mill companies in exchange for machinery. This was a marketing device to enable the machinery manufacturers to keep their plants in operation.

Whenever the world approaches the point of saturation in the supply of the equipment for any industry, the manufacturers of machinery will face an unusually difficult problem. It is necessary that their plants be kept in existence in order to take care of the needs of replacements. But it is questionable whether replacements will furnish enough business to make the operation of these equipment plants profitable. At all events this series of marketing problems is one that is worthy of careful study by our young men who are to engage in business.

MANUFACTURERS' SALES POLICIES

The second major division of our introductory course in marketing, as I previously pointed out, takes up problems of manufacturers' sales policies. The policies that are discussed here are

those that are typical and of frequent occurrence. The object is to give a broad view of the subject and to pave the way for the specialized courses that follow.

The first topic under this division is the relation of the sales department to the other departments of a business. What is the relation of the sales department to the production department? How are the sales policies and the credit policies of a business to be harmonized? Specific cases illustrating such questions as these are discussed.

The next topic is that of the determination of the selling points of a product. This is a marketing subject worthy of especial attention, for it involves that recognition of the point of view of the buyer which is so essential in all effective saleswork.

The determination of brand and trade-mark policies is another subject of general significance. Shall the manufacturer sell his product branded or unbranded? If it is to be sold as a branded product, shall he sell it under his own brand or under the brands of wholesalers or retailers? There is a series of interesting questions to be taken up in this connection. The selection of a trade-mark ties in directly with these questions.

How is the market for the product to be analyzed? A manufacturer cannot safely assume that his product will appeal alike to all classes of consumers. Differences in living conditions, in occupations, in habits and customs, and many other factors, as well as general business conditions, determine the class or classes of consumers from whom he may expect the demand for his product to arise. He needs to know where the potential consumers are located and what volume of sales may be counted upon. The more definitely he can determine the potential market, the more readily can he solve many of his other marketing problems.

The management of the sales force brings up another series of problems. How is the sales force to be selected and trained? What method of paying the sales force is to be adopted? How are the activities of the salesmen to be followed and checked? A study of the practice of typical manufacturers in dealing with such problems is obviously essential.

We also cover briefly the subject of advertising in this introductory course, in order to familiarize our students with some of the fundamental problems in planning advertising work. We do not give the students problems in copywriting or in anything of that nature. Our object rather is to show the use of advertising as a selling force. In the marketing plans of a manufacturer, advertising ordinarily should have a definite place. There are some services in the marketing of a product which commonly can be performed more effectively by advertising than by the sales force. The advertising campaign therefore should be planned properly with reference to the specific work it is desired that it should perform in relation to the other sales work of the company.

Suppose that a company is organized to manufacture a new food product. The company is starting out on a small scale with the expectation that eventually it will distribute its product to all parts of the United States. The product is to be sold through the orthodox wholesale and retail channels. What advertising should be used to reach wholesalers, retailers, and consumers? Should the advertising precede or follow the initial work of the sales force? How long should it be continued? What mediums should be used? What message is it desired that the advertising should convey? In what sequence are the selling points to be presented? Specific problems illustrating such questions as these serve to familiarize the students with the factors that must be taken into account in planning an advertising campaign from the standpoint of the business as a whole.

Other sales policies, such as the use of the guaranty, methods of handling cancellations, and returned goods, are discussed.

Finally, questions of price policy are taken up. The factors that must be considered in determining discounts, in fixing the prices to be charged to various classes of customers, and in supervision of the execution of these price plans are often perplexing to the executive who must solve them.

This summary indicates the topics that up to the present time we have felt should be included in our introductory course

in marketing. The subject is still in its early stages of development, and of course frequent modifications are inevitable. The topics that are to be stressed in any such course necessarily depend upon the primary interests of the particular group of students.

In conclusion, I wish to add a word regarding the significance of the subject of marketing from the standpoint of public interest. For many commodities the costs of marketing are equal to or greater than the total cost of the raw materials plus the cost of manufacturing. The fact that these costs are high does not imply that merchants and manufacturers are lax in their marketing methods. Nevertheless, it seems to me certain that in some manner the costs of marketing will be substantially reduced during the next generation. I conceive one of the chief functions of the course in marketing to be the study of improvements in marketing methods in order that we may contribute somewhat to the ultimate reduction in the cost of getting merchandise from the producer to the consumer, and thus contribute to the welfare of the public at large.

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